

Chapter 3

APPROPRIATION ACCOUNTS: 2011-12

3.1 Constitutional provisions

Soon after the Lok Sabha passes the Demands for Grants under Article 113 of the Constitution of India, the Government introduces an Appropriation Bill under Article 114 to provide for appropriations out of the Consolidated Fund of India (CFI). The Appropriation Act passed by the Parliament authorises the Government to appropriate specified sums from the CFI for specified services. Parliament can also sanction supplementary or additional grants by the subsequent Appropriation Acts in terms of Article 115 of the Constitution. The Appropriation Acts include the disbursements, which have been voted by Parliament under various grants in terms of Articles 114 and 115, and the disbursements, charged on the CFI in terms of Article 112(3) as well as Article 293(2) of the Constitution. The Government prepares Appropriation Accounts every year indicating the details of the gross amounts on various services actually spent by the government vis-à-vis those authorised by the Appropriation Acts.

The Controller General of Accounts (CGA) prepares the Appropriation Accounts in respect of 99 grants and appropriations of Civil Ministries. The Ministries of Defence, Railways and the Department of Posts prepare the Appropriation Accounts of their respective grants. The Comptroller and Auditor General of India submits four Appropriation Accounts pertaining to different sectors of activities of the government, viz. Civil, Defence, Posts and Railways, along with his Report under Article 151 of the Constitution, to the President every year, who causes them to be laid before Parliament. Details of demands for grants and appropriations of various Ministries during 2011-12 are as follows:

Sector of Activity	Number of Demands for Grants/Appropriations
Civil	99
Defence Services	6
Postal Services	1
Railways	16
Total	122

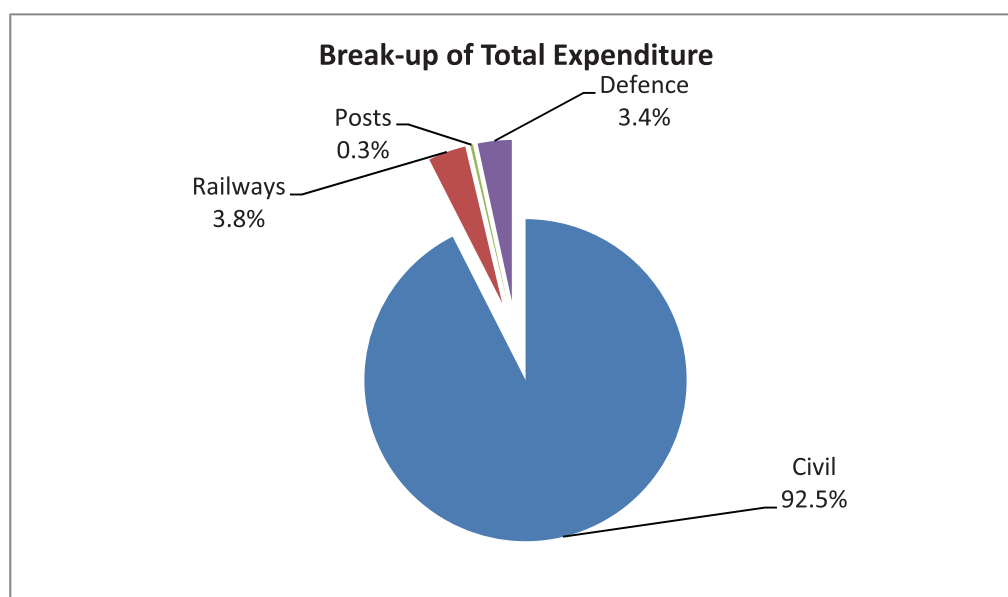
The Report contains audit observations on the Appropriation Accounts (Civil, Postal and Defence Services), including an analysis of expenditure in excess of allocation requiring regularisation by the Parliament, unspent provisions requiring explanation, irregular and injudicious re-appropriations, supplementary provisions obtained without requirement by some Ministries, unrealistic budgeting and detailed observations in respect of the Ministries selected for in-depth

examination. For facility of better appreciation of the sectoral features, all grants relating to Civil Ministries/Departments, Posts and Defence, appropriations have been dealt with comprehensively. References to Railways appropriations have been made, wherever necessary, in order to cover the appropriation process in totality. Audit findings on Railway appropriations are, however, available in the related separate Audit Report for the year ended 2011-12.

3.2 Summary of total provision/actual disbursements

Chart 3.1 below shows the breakup of expenditure between Civil Ministries/Departments, Posts, Railways and Defence Services. As can be seen from the chart the bulk of the expenditure, 93 per cent, was incurred by the Civil Ministries, four per cent by Railways, three per cent by Defence Services, while the Department of Posts accounted for 0.3 per cent of the total gross expenditure.

Chart 3.1: Break-up of expenditure between Civil Ministries/Departments, Railways, Post and Defence Services during the financial year 2011-12



Expenditure under Charged and Voted during the year 2011-12

(₹ in crore)

Civil		Railway		Posts		Defence	
Voted	Charged	Voted	Charged	Voted	Charged	Voted	Charged
921280	3840960	194736	261	14363	11	175805	93
19%	81%	99.87%	0.13%	99.92%	0.08%	99.95%	0.05%

Table 3.1 gives the total provisions (both Charged and Voted) and disbursements of the Government during the financial year 2011-12. **Annex III-A** presents the details of the summary of Appropriation Accounts of Civil Ministries, Posts, Railways and Defence Services.

Table 3.1: Provision and disbursement during 2011-12

(₹ in crore)

Departments	Total Provision	Disbursements	Savings (-) Excess (+)	Percentage of Savings/Excess as compared to Total Provision
Civil	4935557	4762240	(-) 173317	4
Posts	14292	14374	(+) 82	01
Defence Services	178891	175898	(-) 2993	02
Railways	205213	194997	(-) 10216	05
Grand Total	5333953	5147509	186444	03

Under the Civil Ministries/Departments, the net saving of ₹1,73,317 crore was due to excess expenditure of ₹6,545 crore under five *appropriations*/grants and saving of ₹1,79,862 crore in the 96 *appropriations*/grants pertaining to civil Ministries/Departments. As stated by ministries/departments out of the overall excess expenditure of ₹6,545 crore, ₹3,569 crore was on account of receipt of more cases of Modified Assured Career Promotion (MACP) scheme, local discharge, pre-release cases, death cases, booking of pending pension scrolls received from banks to clear suspense, more earned leave encashments under grant No. 21- Defence Pensions. Of the overall saving of ₹1,79,862 crore, saving of ₹42,368 crore was in grant No. 82-Department of Rural Development under Revenue (Voted) section, ₹28,784 crore in grant No. 37-Appropriation-Repayment of Debt under Capital (Charged) section, ₹26,807 crore in grant No. 35-Transfers to State and Union Territory Governments under Revenue(Voted/Charged) and Capital(Voted/Charged) Sections, ₹12,983 crore in grant No. 32-Department of Economic Affairs under Revenue/Capital (Voted) sections, ₹7,968 crore in grant No. 75-Ministry of Power under Revenue/Capital (Voted) sections, ₹9,880 crore in grant No. 33-Department of Financial Services under Revenue (Voted) section and ₹8,082 crore in grant No. 41- Department of Revenue under Revenue (Voted) sections. The gross saving in remaining grants/appropriations was ₹42,990 crore.

There were savings in 203 sections and excess in six sections under the grants/appropriations relating to Civil Ministries/Departments; savings in two sections and excess in two sections of Posts; savings in 30 sections and excess in 4 sections of Railways and savings in 11 sections and excess in one section of Defence Services. **Annex III-B** presents an abstract of the details.

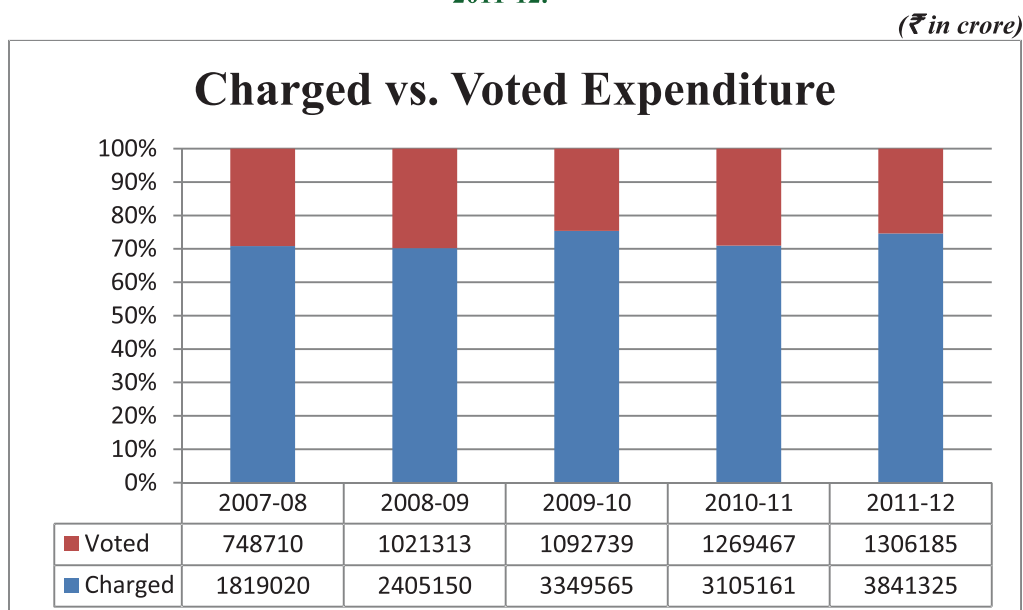
3.3 Charged and voted disbursements

As per constitutional requirements, a distinction is made between charged and voted expenditure. Charged expenditure is defined as all such expenditure as is not to be subjected to the vote of the Parliament under the various provisions of the constitution. **Annex III-C** contains the details of disbursements actually made

against approved demands (grants and appropriations) of the Civil Ministries/Departments for the years 2000-2012. During these years, 70 per cent to 81 per cent of the total disbursements for the Civil Ministries/Departments were charged on the Consolidated Fund of India.

During 2011-12, the total disbursements of ₹47,62,240 crore under Civil Ministries/Departments were higher by ₹7,38,908 crore as compared to the total disbursements of ₹40,23,332 crore during 2010-11. It had increased by 741 per cent from ₹5,66,042 crore in 2000-01. The charged disbursements increased by 847 per cent from ₹4,05,289 crore in 2000-01 to ₹38,40,960 crore in 2011-12 and voted disbursements increased by 473 per cent from ₹1,60,753 crore to ₹9,21,280 crore over the same period. The charged disbursement of the civil Ministries/ Departments during 2011-12 was 81 per cent of the total disbursements. Charged disbursement comprised of Repayment of Debt ₹34,95,929 crore, Interest Payments of ₹2,87,182 crore and Transfers to State and Union Territory Governments ₹53,968 crore on account of grants under the proviso to Article 275(1) of the Constitution, block grants, loans for State Plan Schemes, etc. Since charged disbursements are not subject to vote by the Parliament, effectively the scope of financial control by Parliament is limited to about 19 per cent of the total disbursement in the Civil Ministries/Departments. **Chart 3.2** depicts the preponderance of charged expenditure over voted expenditure in Civil Ministries/Departments during the last five years 2007-08 to 2011-12. However, viewed against the background of total disbursements amounting to ₹51,47,509 crore from the CFI including Civil, Posts, Defence Services and Railways, the percentage of charged disbursements was 75 per cent (₹38,41,325 crore) during the financial year 2011-12.

Chart 3.2: Expenditure under Charged and Voted sections during the year 2007-08 to 2011-12.



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3.4 Grants/ appropriations with excess disbursements

Article 114(3) of the Constitution provides that no money be withdrawn from the Consolidated Fund of India except under appropriations made by law. Rule 52(3) of General Financial Rules, 2005 stipulates that no disbursements be made which might have the effect of exceeding the total grant or appropriation authorised by Parliament for a financial year except after obtaining a supplementary grant or through an advance from the Contingency Fund. **Table 3.2** below presents the summary of total excess disbursement of ₹8,561.42 crore over the authorisation from the CFI during 2011-12. There was an excess disbursement of ₹6545,33,40,727 (₹6,545.33 crore) in six segments of five grants/appropriations in Civil Ministries/Departments, ₹1048,14,00,392 (₹1,048.14 crore) in 4 segments of 3 grants/appropriations of Railways, ₹400,04,06,659 (₹400.04 crore) in two segments of one grant in Department of Posts and ₹567,90,83,321 (₹567.91 crore) in one segment of one grant of Defence Services. These are detailed in **Table 3.3** and require regularisation under Article 115(1)(b) of the Constitution.

Table 3.2: Summary of excess disbursements over grants/appropriations

		<i>(Amount in ₹)</i>			
		Civil	Defence	Posts	Railways
<i>Voted</i>	Revenue	3570,25,13,393	567,90,83,321	400,03,82,246	1047,82,62,078
	Capital	7,23,26,294	-	-	-
<i>Charged</i>	Revenue	2967,85,01,040	-	-	31,38,314
	Capital	-	-	24,413	
No of Grants/ Appropriations		5	1	1	3
Total Excess		6545,33,40,727	567,90,83,321	400,04,06,659	1048,14,00,392

Table 3.3: Details of excess disbursement over grants/appropriations

Sl. No	Grant/ Appropriation	Amount in ₹		Reasons for excess as stated by the Ministries/Departments
Civil Revenue (Voted)				
1.	21-Defence Pension	Grant	33999,75,00,000	Due to receipt of more cases of Modified Assured Career Progression (MACP) Scheme, local discharge pre-release cases, death cases, booking of pending pension scrolls received from banks to clear suspense, more earned leave encashments.
		Expenditure	37568,56,46,182	
		Excess	3568,81,46,182	

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Sl. No	Grant/ Appropriation	Amount in ₹		Reasons for excess as stated by the Ministries/Departments
2.	100- Lakshadweep	Grant Expenditure Excess	609,42,00,000 610,85,67,211 1,43,67,211	Due to non-accounting of payment made to Pay and Accounts Office, Director General of Supplies and Disposals in the monthly account of Public Works Department, Lakshadweep inadvertently.
Revenue (Charged)				
3.	21-Defence Pensions	Appropriation Expenditure Excess	54,00,000 82,54,467 28,54,467	Due to implementation of Court/Tribunal judgment, award of more gallantry awards than assessed.
4.	34 - Interest Payments	Appropriation Expenditure Excess	284234,60,00,000 287182,18,33,405 2947,58,33,405	Due to enhanced borrowing and high rate of interest, inclusion of premium paid on issue of dated securities, shifting of investments from intermediate Treasury Bills to auction based Treasury bills by the State Governments etc.
5.	97 - Chandigarh	Appropriation Expenditure Excess	92,82,00,000 112,80,13,168 19,98,13,168	Due to requirement of additional funds towards pay and allowances, publication work and receipt of more medical claims.
Capital (Voted)				
6.	31- Ministry of External Affairs	Grant Expenditure Excess	1391,00,00,000 1398,23,26,294 7,23,26,294	Due to requirement of additional funds towards ongoing construction work of Passport Office, Jawaharlal Nehru Bhawan and for ongoing construction projects in a number of countries.
Railways Revenue (Voted)				
7.	12- Miscellaneous Working Expenses	Grant Expenditure Excess	4109,87,22,000 4388,08,15,415 278,20,93,415	Due to adjustment of more debits and more expenditure towards compensation claims, more expenditure towards accident insurance and compensation, incurrence of more expenditure towards contractual payments to private caterers and clearance of outstanding bills of Indian Railway Catering and Tourism Corporation, more materialization of claims and adjustment of debits.

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Sl. No	Grant/ Appropriation	Amount in ₹		Reasons for excess as stated by the Ministries/Departments
8.	13- Provident Fund, Pension & Other Retirement Benefits	Grant Expenditure Excess	17557,35,05,000 18326,96,73,663 769,61,68,663	Due to receipt of more debits from pension disbursing authorities, more payment towards ex-gratia pension, receipt of more debits towards family pension due to revision of family pension cases, finalization of more cases of death cum retirement gratuity, more expenditure on leave encashment for pension optees, more expenditure towards deposit linked insurance scheme.
Revenue (Charged)				
9.	03-General Superintendence and Services	Appropriation Expenditure Excess	3,05,000 30,34,201 27,29,201	Due to materialization of more decretal payments than anticipated.
10.	13- Provident Fund, Pension & Other Retirement Benefits	Appropriation Expenditure Excess	58,58,000 62,67,113 4,09,113	Due to materialization of more decretal payments than anticipated.
Department of Posts Revenue (Voted)				
11.	13-Postal Services	Grant Expenditure Excess	13762,33,00,000 14162,36,82,246 400,03,82,246	Due to leave encashment on availing LTC, grant of MACP, increase in Pay and Allowances, more retirement, Pension, Gratuities' to Extra Departmental Agents, Pension and Family Pension etc.
Capital (Charged)				
12.	13-Postal Services	Appropriation Expenditure Excess	9,60,00,000 9,60,24,413 24,413	No reason has been furnished by the Department.
Defence Services Revenue (Voted)				
13.	24-Defence Services- Air Force	Grant Expenditure Excess	16753,53,00,000 17321,43,83,321 567,90,83,321	Due to grant of MACP to service personnel, sanction of higher rate of Dearness allowance, enhancement of other allowances due to DA rate exceeded 50%, variations in strength and price escalation of ration commodities, change in rate of excise duty from 10.3% to 12.36% and deduction of LD Charges.

In grant No.25-Defence Services Ordnance Factories, an authorization for net amount of ₹1,651.81 crore was obtained and net expenditure of ₹1,427.94 crore

was incurred there against. The gross expenditure incurred was ₹12,130.72 crore. Thus, in this grant Ministry of Defence incurred expenditure in excess of authorization of Parliament by an amount of ₹10,478.91 crore. The aspect of incorrect authorisation from Parliament in this grant has been reported in detail in para 4.1 of this report. This in the view of audit would also require regularization of excess expenditure under Article 115(1)(b) of the Constitution.

The other details relating to grants of the Railways are mentioned in the related separate Audit Report for the year 2011-12 of the Comptroller and Auditor General of India.

3.5 Persistent excess in grants

A scrutiny of the grants registering persistent excess for the five years period from 2007-08 to 2011-12 was undertaken. The scrutiny revealed that in 12 grants/appropriations persistent excesses occurred in at least three years out of five years period for which analysis was made. The grant wise and year wise details of persistent excesses against allocations are given below:

Table 3.4: Persistent excess in grants/appropriations

(Amount in ₹)

Sl. No.	Grant No. and Name	2007-08	2008-09	2009-10	2010-11	2011-12
Civil Grants						
Revenue (Voted)						
1.	21- Defence Pensions Excess- Expenditure- Grant-	-	13,32,985 20233,08,32,985 20232,95,00,000	8999,54,01,305 34999,29,01,305 25999,75,00,000	3336,30,72,983 37336,05,72,983 33999,75,00,000	3568,81,46,182 37568,56,46,182 33999,75,00,000
Department of Posts						
Revenue (Voted)						
2.	13- Postal Services Excess- Expenditure- Grant-	-	-	818,12,99,976 13344,82,99,976 12522,67,00,000	366,63,29,167 13793,26,29,167 13426,63,00,000	400,03,82,246 14162,36,82,246 13762,33,00,000
Defence Services						
Revenue (Voted)						
3.	22- Defence Services- Army Excess- Expenditure- Grant-	71,18,78,075 35481,28,78,075 35410,10,00,000	-	2464,11,11,895 62716,64,11,895 60252,53,00,000	2864,01,52,379 65001,95,52,379 62137,94,00,000	-
Railways						
Revenue (Voted)						
4.	04- Repairs and Maintenance of Permanent Ways and Works Excess- Expenditure- Grant-	-	104,05,87,825 5944,26,92,825 5840,21,05,000	55,50,24,359 7496,25,82,359 7440,75,58,000	7,75,52,784 7386,56,17,784 7378,80,65,000	-

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Sl. No.	Grant No. and Name	2007-08	2008-09	2009-10	2010-11	2011-12
5.	05- Repair and Maintenance of Motive Power Excess-Expenditure-Grant-	-	95,24,56,565 2924,36,28,565 2829,11,72,000	90,87,30,288 3479,19,71,288 3388,32,41,000	75,06,60,832 3423,60,13,832 3348,53,53,000	-
6.	06- Repair and Maintenance of Carriages & Wagons Excess-Expenditure-Grant-	-	149,69,22,039 6430,23,89,039 6280,54,67,000	164,57,39,230 7857,06,14,230 7692,48,75,000	221,08,77,978 7799,58,75,978 7578,49,98,000	-
7.	08- Operating Expenses-Rolling Stock & Equipment Excess-Expenditure-Grant-	-	131,05,69,735 4711,59,77,735 4580,54,08,000	36,30,60,599 5983,59,00,599 5947,28,40,000	189,88,89,127 6156,81,96,127 5966,93,07,000	-
8.	12- Misc Working expenses Excess-Expenditure-Grant-	23,40,02,612 2078,37,78,612 2054,97,76,000	-	19,58,54,173 3177,23,12,173 3157,64,58,000	648,43,86,934 4002,49,56,934 3354,05,70,000	278,20,93,415 4388,08,15,415 4109,87,22,000
9.	13- Provident Fund, Pension & other Retirement Benefits Excess-Expenditure-Grant-	-	-	1512,38,96,979 16911,20,69,979 15398,81,73,000	1403,97,51,918 16352,71,21,918 14948,73,70,000	769,61,68,663 18326,96,73,663 17557,35,05,000
10.	15-Dividend to General Revenues, Repayment of Loans taken from General Revenues and Amortisation of Over-Capitalisation Excess-Expenditure-Grant-	20,80,86,212 4902,92,86,212 4882,12,00,000	6,71,23,341 4717,67,23,341 4710,96,00,000	4,51,03,762 5543,34,03,762 5538,83,00,000	-	-
Railways						
Revenue (Charged)						
11.	03- General Superintendence and Services Excess-Expenditure-Appropriation-	-	1,04,322 9,52,322 8,48,000	24,21,286 34,79,286 10,58,000	20,97,842 36,49,842 15,52,000	27,29,201 30,34,201 3,05,000
Railways						
Capital (Charged)						
12.	16-Assets-Acquisition, Construction and Replacement – Capital Excess-Expenditure-Appropriation-	21,02,493 21,36,13,493 21,15,11,000	17,08,59,223 39,28,59,223 22,20,00,000	3,36,40,661 64,38,40,661 61,02,00,000	-	-

A number of grants witnessing excesses year after year is a matter of concern. Despite Public Accounts Committee's recommendations to minimise the cases of excesses, persistent excesses have been noticed in these grants. Ministries/Departments did not make concerted efforts and devise effective mechanism with a view to observe financial discipline to avoid excess expenditure.

3.6 Minor/Sub head-wise Excess expenditure

Rule 58(1) of General Financial Rules 2005 enjoins that a subordinate authority incurring the expenditure will be responsible for ensuring that the allotment placed at its disposal is not exceeded. Where any excess over the allotment is apprehended, the subordinate authority should obtain additional allotment before incurring the excess expenditure.

It was, however, observed from the Head-wise Appropriation Accounts for the year 2011-12 that in 53 minor/ sub-heads of 16 grants, there was an excess expenditure of ₹five crore and more, over the available provision. An aggregate expenditure of ₹18,609.65 crore had exceeded the available provisions under these minor/sub-heads, but the authority administering the concerned grant/appropriation did not issue re-appropriation orders to accommodate the final excess expenditure over the available provision, indicating laxity in budgetary control. Minor/sub-heads where excess expenditure occurred are listed in **Annex III-D**.

3.7 Saving of ₹100 crore or more (Sector-wise)

Public Accounts Committee in its 60th Report (10th Lok Sabha) had desired that each year a detailed explanatory note in respect of savings of ₹100 crore or above in any section of a grant shall be furnished by the respective Ministry/Department, to the Committee. Further, saving in a grant or appropriation is indicative of deficient budgeting as well as shortfall in performance.

Saving of more than ₹100 crore, which need a detailed explanatory note to the Public Accounts Committee (PAC), occurred in 93 cases of 75 grants (including Civil, Posts, Railways and Defence Services) during the financial year 2011-12. Large savings were in a number of grants like: Department of Rural Development (₹42,368 crore), Repayment of Debt (₹28,785 crore), Transfers to State and Union Territory Governments (₹26,807 crore), Department of Economic Affairs (₹12,983 crore), Department of Financial Services (₹9,880 crore), Department of Revenue (₹8,082 crore), Ministry of Power (₹7,968 crore), Ministry of Road Transport and Highways (₹3,934 crore), Police (₹3,352 crore), Department of Space (₹2,835 crore), Department of Higher Education (₹2,336 crore), Department of Health and Family Welfare (₹3,047 crore), Department of

Commerce (₹2,086 crore), Ministry of Home Affairs (₹1,828 crore), Ministry of Statistics and Programme Implementation (₹1,762 crore), Ministry of Panchayati Raj (₹1,143 crore) Department of Telecommunications (₹1,082 crore), Department of Atomic Energy (₹1,061 crore), Ministry of Shipping (₹1,046 crore), Department of School Education and Literacy (₹1,009 crore) and Department of Drinking Water and Sanitation (₹1,008 crore) etc. **Annex III-E** indicates the details of savings under various grants/appropriations.

The savings were attributed by the Ministries/Departments as ‘some of the schemes failed to take off’, ‘delay in submission of Progress Report/Utilisation Certificates’, ‘slow pace of expenditure by the implementing agencies’, ‘Unspent balances lying with the State Governments’ and ‘Receipt of less proposals from State Governments’, etc.

Further, there were 36 sections of 29 grants/appropriations including capital section with persistent savings of ₹100 crore and more occurred during the last three years (2009-2012) are given in **Annex III-F**. Some of the grants with large persistent savings were, Grant no. 32- Department of Economic Affairs, 33- Department of Financial Services, 35- Transfers to State and UT Governments, 37- Repayment of Debt, 58- Department of School Education and Literacy, 59- Department of Higher Education, 75- Ministry of Power and 82- Department of Rural Development.

3.7.1 Incorrect budget provision resulting in saving of ₹10,000 crore

As per Article 293(2) of the Constitution of India, any sums required for the purpose of making loans to any State Government shall be charged on the Consolidated Fund of India.

Audit scrutiny of Grants No. 35 – Transfers to State and Union Territory Governments for the financial year 2011-12 revealed that the Ministry had incorrectly obtained a provision of ₹9,000 crore under the Major Head ‘7601 – Loans and Advances to State Governments’ for Block Loans – Additional Central Assistance for externally aided projects under Capital (Voted) Plan Section, and ₹1,000 crore under the Major Head ‘7601 - Loans and Advances to State Governments’ for Ways and Means Advances under Capital (Voted) Non-Plan Section.

During the course of the year, the Ministry continued to incur expenditure incorrectly under Capital (Voted) Section and issued incorrect sanction orders authorising incurrence of such expenditure. In August 2011 in the first Supplementary Demands for Grants Ministry, on realising the error in the initial provisioning, obtained supplementary of ₹9,000 crore Capital (Charged) Plan

Section and ₹1,000 crore Capital (Charged) Non-Plan Section under Major Head '7601 - Loans and Advances to State Governments'.

Through the office memorandum of January 2012, Ministry of Finance surrendered an amount of ₹10,000 crore from Capital (Voted) Section, being an unspent amount, treating the same as technical surrender to enabling it to utilise the funds available through first and second Supplementary Demands for Grants under the Capital (Charged) Section. In the said OM Ministry stated that a corrigendum to sanction orders issued under the loan component of ACA for EAPs under Major Head 7601 was being issued simultaneously so as to account for the amount to be booked under the Capital (Charged) instead of Capital (Voted) for the sanction orders issued up to 30 November 2011.

Thus, the entire unspent provision of ₹10,000 crore under Capital (Voted) Section of Major Head '7601 - Loans and Advances to State Governments' was due to incorrect provision made by the Ministry in breach of Article 293(2) of the Constitution.

3.8 Surrender of savings (Grant-wise)

Rule 56 of General Financial Rules, 2005 provides that savings in a grant or appropriation are to be surrendered to Government as soon as these are foreseen, without waiting for the last day of the year. Savings should also not be held in reserve for possible future excesses. During the financial year 2011-12, under 203 segments of 97 grants/appropriations of Civil Ministries/Departments, there were savings of ₹1,79,862 crore. This was offset by excess expenditure of ₹6,545 crore under six segments of five grants resulting in a net saving of ₹1,73,317 crore. The amounts surrendered are shown in **Table 3.5**.

Table 3.5: Details of savings and surrender

(₹ in crore)

	Unspent Provision	Amount Surrendered	Amount Surrendered on 31 March	Percentage of Amount Surrendered on 31 March to Unspent Provision	Amount not Surrendered
Revenue					
Voted	105067.51	100383.21	98050.31	93	4827.17
Charged	5447.89	5431.38	5431.38	100	16.51
Total: Revenue	110515.40	105814.59	103481.69		4843.68
Capital					
Voted	37524.60	33529.16	30571.28	81	4000.74
Charged	31821.64	37006.51	37002.82	116	13.16
Total: Capital	69346.24	70535.67	67574.10		4013.90
Grand Total	1,79,861.64	1,76,350.26	1,71,055.79		8,857.58

Under the grants pertaining to Ministry of Personnel, Public Grievances, and Pensions, Ministry of External Affairs, Capital Outlay on Defence Services and Repayment of Debt, the amount surrendered exceeded the savings. **Annex III-G** gives the details. The Defence Pensions and Union Territory Lakshadweep under 'Revenue (Voted)' and Ministry of External Affairs under Capital (Voted), incurred an excess expenditure of ₹3,568.81 crore, ₹1.44 crore and ₹7.23 crore respectively (detailed in **Table 3.3**), which requires regularisation under Article 115(1) (b) of the Constitution. While the Ministries incurred excess expenditure, they simultaneously surrendered ₹0.29 crore, ₹0.29 crore and ₹1.60 crore respectively in March 2012. This is indicative of poor budgetary management particularly in the Ministry of External Affairs.

3.9 Surrender of savings on 31st March

In 44 cases, where major savings (more than ₹100 crore) in a grant/appropriation were noticed and which were eventually surrendered by the concerned Ministries/Departments on 30th/31st March 2012, along with the amounts which were not surrendered and allowed to lapse are given in **Annex III-H**.

3.10 Injudicious re-appropriation to minor/sub-heads

Test check of the accounts revealed that in 17 cases relating to nine grants/appropriations of Civil Ministries/Departments and Defence Services, re-appropriations aggregating ₹529.02 crore were injudicious, as the original provision under the minor/sub-heads to which augmentation was made by way of re-appropriation was more than adequate. Resultantly, the final savings under the sub-heads were more than the amount re-appropriated to these sub-heads. 17

cases, where re-appropriation exceeding ₹five crore and more have been made, are given in **Annex III-I**.

3.11 Injudicious re-appropriation from minor/sub-heads

Similarly, test check of the accounts revealed that in seven cases relating to five grants/appropriations of Civil Ministries/Departments and Defence Services, re-appropriations aggregating ₹164.14 crore were injudicious, wherein the final disbursements under each of these minor/sub-heads was more than the original provision before re-appropriation. In each of them, the excess over the final available provision after re-appropriation from these heads was more than the amount re-appropriated. Seven cases, where re-appropriation exceeding ₹five crore and more have been made, are given in **Annex III-J**.

3.12 Large supplementary grants due to unrealistic budgetary projections

Under Article 114 of the Constitution, the Parliament authorises the Government to appropriate specified sums from the Consolidated Fund of India. Parliament can also authorise supplementary or additional grants by subsequent Appropriation Acts, in terms of Article 115 of the Constitution. While preparing the estimates of expenditures, Ministries/Departments are required to keep in view the trends of disbursements during the previous years and take due care so that provision for all inescapable and foreseeable expenditures is made in the estimates before they are submitted to the Ministry of Finance. The Ministry of Finance, after due deliberations and pre-budget meetings/scrutiny finalises the budget proposals. Scrutiny of the Appropriation Accounts for the year 2011-12 revealed that a large number of Ministries/Departments of the Central Government obtained supplementary grants/appropriations much in excess of the original provisions. The supplementary provisions ranged from 26 *per cent* to 412 *per cent* of the original provisions in some sections of the grants. These are detailed in **Table 3.6**. Large supplementary indicates that the Ministries/Departments did not prepare estimates of expenditure on a realistic basis and that the mechanism of holding pre-budget meetings and scrutiny by Ministry of Finance for ensuring realistic budgetary projections did not have the desired effect.

Table 3.6: Statement showing details of large Supplementary Grants due to unrealistic budgetary projections

(₹ in crore)

Sl. No.	Description of Grant	Original Provision	Supplementary Provision	Percentage of Supplementary Provision to Original Provision
Revenue (Voted)				
1.	06-Department of Chemicals and Petrochemicals	799.88	619.95	78
2.	07-Department of Fertilizers	53619.46	20980.00	39
3.	53-Cabinet	329.92	660.09	200
4.	73-Ministry of Petroleum and Natural Gas	23716.20	44838.11	189
5.	88-Ministry of Shipping	1447.93	638.61	44
6.	91-Ministry of Statistics and Programme Implementation	2505.79	2375.04	95
7.	92-Ministry of Steel	116.71	119.81	103
8.	99-Daman & Diu	855.69	221.00	26
9.	105-Ministry of Women and Child Development	12733.00	3450.04	27
10.	25-Defence Ordnance Factories	792.88	858.93	108
Capital (Voted)				
11.	10-Ministry of Coal	30.00	116.83	389
12.	30-Ministry of Environment and Forest	80.68	42.00	52
13.	31-Ministry of External Affairs	791.00	600.00	76
14.	32-Department of Economic Affairs	14683.56	11120.62	76
15.	33-Department of Financial Services	7814.00	6497.44	83
16.	52-Ministry of Home Affairs	28.85	24.60	85
17.	53-Cabinet	104.07	82.18	79
18.	66-Ministry of Mines	39.21	161.36	412
19.	73-Ministry of Petroleum and Natural Gas	Nil	1585.75	N/A
20.	93-Ministry of Textiles	88.27	106.18	120
Total			95,137.22	

The position of original and supplementary grants obtained under civil Ministries/Departments and percentage of supplementary provision to the original provision from the year 2005-06 onwards is given in **Annex III-K**.

3.13 Unnecessary cash supplementary grants

In 12 grants/appropriations, as detailed in **Table 3.7**, while cash supplementary provisions aggregating to ₹6,762.27 crore were obtained during 2011-12 in

anticipation of higher expenditure, but the final expenditure was less than even the original grants/appropriations. The entire cash supplementary grant obtained was, therefore, unnecessary, indicative of deficient budgeting.

Instead of obtaining 'Cash Supplementary', the Ministries/Departments should have first explored the possibility of utilising the savings available within the grant by obtaining 'Token' or 'Technical Supplementary', if required, to avoid savings at the close of the year.

Table 3.7: Savings more than the cash supplementary grant/appropriation

(₹ in crore)

Sl. No.	Grant/Appropriation	Original Provision	Total Supplementary Grant obtained	Cash Supplementary	Actual Disbursements	Saving
Civil Grants						
1.	19-Ministry of Culture	1338.00	40.08	40.00	1310.80	67.28
2.	32-Department of Economic Affairs	21632.22	12242.59	1066.46	20891.45	12983.36
3.	33-Department of Financial Services	23705.94	6997.46	200.00	20823.04	9880.36
4.	54-Police	40019.99	3262.86	2000.70	39922.30	3360.54
5.	58-Department of School Education and Literacy	60088.58	70.07	70.00	59149.57	1009.08
6.	78-Rajya Sabha	224.35	33.02	33.02	220.59	36.78
7.	81-Ministry of Road Transport and Highways	40740.51	1516.54	476.82	38314.88	3942.17
8.	82-Department of Rural Development	146909.72	2300.03	2300.00	106841.29	42368.46
9.	92-Ministry of Steel	117.71	119.81	118.82	80.98	156.54
10.	93-Ministry of Textiles	5855.75	437.94	419.89	5056.33	1237.36
11.	96-Andaman and Nicobar Islands	2715.76	50.41	35.56	2612.44	153.73
12.	99-Daman and Diu	1032.95	221.00	1.00	1210.42	43.53
Total			27,291.81	6,762.27		75,239.19

Ministry of Finance should review the cases and consider issuing suitable guidance to all Ministries and Departments in this regard.

3.14 Unnecessary supplementary grants obtained under sub-heads

While obtaining supplementary grants, the Ministries/Departments reported to Parliament large amounts of additional requirement for different purposes under various schemes/activities, but they were finally unable to spend not only the entire supplementary grants or parts thereof but also the original budget provision. The details of 22 minor/sub-heads where entire supplementary grant together with part of original budget provision remained unspent are given in **Annex III-L**.

3.15 Persistent saving (Sub-head wise)

A detailed scrutiny of Appropriation Accounts revealed that during the years 2009-10 to 2011-12, under certain grants and appropriations persistent savings under a sub-head were noticed, which are indicative of poor budgeting or shortfall in performance or both, in respect of the concerned scheme being implemented by the Ministry/Department. The details of 11 sub-heads are given in **Annex III-M**.

3.16 Saving of entire provision (Sub-head wise)

In 86 sub-heads under various grants/appropriations, the entire provision amounting to ₹22,972.97 crore which were authorised by the Parliament remained unutilised by the Ministries/Departments. Savings of entire provision is indicative of the fact that the estimates were not prepared after adequate scrutiny of the projects/schemes. Major schemes which failed to take off or suffered due to non-utilisation of entire provision are:

- Under Department of Rural Development: ‘Transfer to National Investment Fund’ (₹8,448 crore);
- Under Department of Higher Education (Ministry of Human Resource Development): ‘Improvement in the Pay Scales of University and College Teachers’ (₹2,250 crore);
- Under Department of Financial Services (Ministry of Finance): ‘Farmers Debt Relief Fund for implementation of Debt Waiver and Debt Relief Scheme for Farmers-2008’ (₹2,000 crore), ‘Revival of Long Term Co-operative Credit Structure’ (₹1,000 crore) and ‘Security Redemption Fund’ (₹625 crore);
- Under Ministry of Power: ‘Rajiv Gandhi Gramin Vidyutikaran Yojana’ (₹600 crore) and ‘National Electricity Fund’ (₹250 crore);
- Under Ministry of Shipping: ‘Loans to Port Trust’ (₹194 crore);
- Under Department of Heavy Industry: ‘Implementation of revival schemes of PSE’s (₹150 crore);
- Under Ministry of Steel: ‘Bisra Stone Lime Company Limited’ (₹120 crore); and
- Under Ministry of Social Justice and Empowerment: ‘Self-employment Scheme for Rehabilitation of Manual Scavengers’ (₹98 crore).

The details/list of these sub-heads are given in **Annex III-N**.

3.17 Saving of ₹100 crore or more under a sub-head

A detailed scrutiny of Appropriation Accounts revealed that under certain grants and appropriations large savings of ₹100 crore or more, under a sub-head were

noticed, which are indicative of poor budgeting or shortfall in performance or both, in respect of the concerned scheme being implemented by the Ministry/Department. Necessary steps need to be taken by the Ministries/Departments to make their budgetary exercise more realistic, not only to minimise large scale variations between estimates and actuals but also to gainfully utilise the scarce resources. These Ministries/Departments are required to review their system of budgetary assumption and/or efficiency of their programme management. **Annex III-O** gives the details of 106 such large savings of ₹100 crore or more and constituting more than 10 *per cent* of the budgeted provision under a sub-head along with reasons given by respective Ministries/Departments.

Major savings occurred under the following programmes/schemes:

- Department of Rural Development: ₹10784.31 crore—‘Assistance to District Rural Development Agencies/District Programme Co-ordinators and Others’ (against budgeted provision of ₹39,974.08 crore) - due to availability of unspent balances of previous years and non receipt of adequate number of proposals from the State Governments;
- Department of Revenue: ₹7,827.42 crore –‘Grants to States for Revenue loss due to phasing out of CST’ (against budgeted provision of ₹12,000 crore) - due to receipt of less claims towards CST compensation from the State Governments;
- Department of Fertilisers: ₹5,700 crore –‘Payment for concessional sale of imported decontrolled fertilisers’ (against budgeted provision of ₹21,864.94 crore) - due to lesser imports till November 2011;
- Transfers to States and Union Territory: ₹5,184.22 crore – ‘Jawahar Lal Nehru National Urban Renewal Mission’ (against budgeted provision of ₹12,522 crore) – due to non-release of matching shares by State Governments, withdrawal of projects and delay in commencement of schemes;
- Transfers to States and Union Territory: ₹5,160.99 crore – ‘Accelerated Irrigation Benefit Programme and other Water Resources Programme’ (against budgeted provision of ₹12,620 crore) – due to slow off-take of funds by the State Governments;
- Department of Financial Services: ₹4,823.61 crore—‘Relief/waiver of loans through lending Institutions against Agricultural Debt Waiver and Debt Relief Scheme, 2008’ (against budgeted provision of ₹6,000 crore) due to receipt of less claims from Nodal Agencies as implementation period of the scheme is over;

- Transfers to States and Union Territory: ₹3,755.52 crore – ‘National Investment Fund’ (against budgeted provision of ₹7,732 crore) – due to less proceeds from disinvestment;
- Transfers to States and Union Territory: ₹2,066.08 crore – ‘Assistance to States from National Disaster Response Fund for calamities of severe nature’(against budgeted provision of ₹4,525 crore) – due to less release of funds on account of occurrence of fewer calamities of severe nature and availability of funds in CRF/SDRF accounts of States;
- Department of Commerce: ₹1,978.80 crore – ‘Assistance to Export Promotion and Market Development Organisations’ (against budgeted provision of ₹3,050 crore) – due to receipt of ineligible claims owing to clarification issued by policy interpretation Committee, Directorate General of Foreign Trade; and
- Department of Financial Services: ₹1,585.30 crore – ‘Interest Subvention for Providing short term Credit to Farmers’ (against budgeted provision of ₹4,868 crore) – due to receipt of less claims for reimbursement from the nodal agencies as the claims spilled over to the next year.

3.18 Saving of ₹50 crore and above constituting more than 40 per cent of budgeted provision (Minor/sub-head wise)

The budget circulars issued by the Ministry of Finance every year stipulate that while framing the estimates, due note be taken of the past performance, the stages of formulation/implementation of the various schemes, the institutional capacity of the implementing agencies to implement the scheme, the constraints on spending by the spending agencies etc.,. The objective is to minimise the scope for avoidable surrenders at a later stage. Further, no provision should normally be made in the budget without completion of pre-budget scrutiny of the projects/schemes. Where, however, provision has been made without necessary scrutiny, such scrutiny should be completed and appropriate approvals obtained before the commencement of the financial year, at the latest by the time budget is passed by the Parliament. Scrutiny of the head-wise Appropriation Accounts revealed that the Ministries/Departments made excessive provisions under various minor/ sub-heads, which ultimately resulted in large savings and surrenders at the end of the year. **Annex III-P** gives the details of 41 such cases with savings of ₹50 crore and above, constituting more than 40 per cent of the budgeted provision.

3.19 Rush of expenditure during March and last quarter of the financial year

In terms of Rule 56(3) of General Financial Rules, 2005, rush of expenditure, particularly in the closing months of the financial year, shall be regarded as a breach of financial propriety and shall be avoided. The Ministry of Finance have also issued instructions to Ministries/Departments in September 2007 to restrict expenditure during the month of March and the last quarter of the financial year to 15 per cent and 33 per cent, respectively, of the budgeted estimates. Information regarding trend of expenditure for financial year 2011-12 was called for from ministries/departments by Audit.

However, based on information provided by ministries/departments, in cases detailed in **Table 3.8**, it has been noticed that major part of disbursement by some Ministries/Departments was made in the month of March 2012 and/or during last quarter of the financial year in contravention of the provisions of Rules and extant instructions.

Table 3.8: Rush of expenditure during March 2012 and/or last quarter of 2011-12
(₹ in crore)

Sl. No.	Descriptions of the Grants	Budget Estimates	Expenditure in March	Percentage of expenditure in March#	Expenditure incurred during last quarter	Percentage of expenditure during last quarter#	Reasons as furnished by the Ministries/Departments
Civil							
1.	05-Nuclear Power Scheme	9396.38	1553.00	17	-	-	No reason has been furnished by Ministry.
2.	10-Ministry of Coal	498.72	85.43	17	219.37	44	No reason has been furnished by Ministry.
3.	18-Ministry of Corporate Affairs	238.94	48.04	20	-	-	No reason has been furnished by Ministry.
4.	32 – Department of Economic Affairs	21632.22	4474.29	21	-	-	No reason has been furnished by Ministry.
5.	33 – Department of Financial Services	23705.94	14515.48	61	16661.66	70	Expenditure during the month of March/last quarter of the financial year like plan expenditure as subsidies, capitalization, investment and mostly funds released in last batch of supplementary in March.
6.	34 – Appropriation-Interest Payments	272330.28	-	-	99354.63	36	No reason has been furnished by Ministry.
7.	35- Transfers to State and Union Territory Governments	148647.23	27996.29	19	-	-	No reason has been furnished by Ministry.
8.	38-Department of Expenditure	101.97	25.56	25	39.92	39	No reason has been furnished by Ministry.
9.	53- Cabinet	434.61	239.73	55	317.77	73	No reason has been furnished by Ministry.

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Sl. No.	Descriptions of the Grants	Budget Estimates	Expenditure in March	Percentage of expenditure in March#	Expenditure incurred during last quarter	Percentage of expenditure during last quarter#	Reasons as furnished by the Ministries/Departments
10.	56- Transfers to Union Territory Governments	2130.29	353.62	17	726.82	34	No reason has been furnished by Ministry.
11.	58-Department of School Education and Literacy	60088.58	11308.71	19	-	-	No reason has been furnished by Ministry.
12.	59-Department of Higher Education	21912.00	3800.22	17	-	-	No reason has been furnished by Ministry.
13.	61- Ministry of Labour and Employment	4029.64	744.40	18	1388.76	34	No reason has been furnished by Ministry.
14.	66 – Ministry of Mines	654.28	125.47	19	223.46	34	No reason has been furnished by Ministry.
15.	68-Ministry of New and Renewable Energy	1212.38	-	-	503.64	42	No reason has been furnished by Ministry.
16.	69 – Department of Overseas Indian Affairs	81.00	21.12	26	37.90	47	No reason has been furnished by Ministry.
17.	70-Ministry of Panchayati Raj	5250.65	943.18	18	1925.82	37	No reason has been furnished by Ministry.
18.	73 – Ministry of Petroleum and Natural Gas	23716.20	22739.16	96	38300.74	161	Supplementary demand of ₹30,000 crore and ₹14,838.12 crore were authorized in November 2011 and March 2012 respectively.
19.	74-Ministry of Planning	1676.00	436.91	26	789.25*	47	No reason has been furnished by Ministry.
20.	81 – Ministry of Road Transport and Highways	40740.51	8705.75	21	-	-	No reason has been furnished by Ministry.
21.	87-Department of Bio-technology	1426.92	252.07	18	-	-	No reason has been furnished by Ministry.
22.	88- Ministry of Shipping	2071.60	759.47	37	859.43	41	Out of ₹759.47 crore, ₹631.54 crore has been written off as per Supplementary III (HDPFL loan, interest and Penal Interest)
23.	91-Ministry of Statistics & Programme Implementation	2527.36	705.91*	28	1085.56	43	No reason has been furnished by Ministry.
24.	93-Ministry of Textiles	5855.75	1220.54	21	-	-	No reason has been furnished by Ministry.
25.	101-Department of Urban Development	6855.27	1097.49	16	-	-	No reason has been furnished by Ministry.
Defence Services							
26.	27-Capital Outlay on Defence Services	69,198.81	11,971.04	17	-	-	No reason has been furnished by Ministry.

* In these two cases, figures have been taken from e-lekha which do not include journal entries.

the percentage in the columns may not agree with Annex I-B as the data sources differ.

Since the funds released in March to various organisations cannot be constructively spent during the year, which closes on the last day of the same month, it is not possible to conclude whether these funds were applied during the same year for the purpose for which they were authorised.

3.20 Postal Services (Grant No. 13)

Public Accounts Committee in its 60th Report (10th Lok Sabha) had desired that each year a detailed explanatory note in respect of savings of ₹100 crore or above in any section of a grant shall be furnished by the respective Ministry/Department, to the Committee. Further, saving in a grant or appropriation is indicative of deficient budgeting as well as shortfall in performance.

Further, savings in a grant or appropriation indicate that the expenditure could not be incurred as estimated and planned. Savings as shown in Appropriation Accounts in real terms denote unspent amounts, which are indicative of poor budgeting or shortfall in performance of the Department under various schemes. The persistent savings in the Capital (Voted) section for the past four years are depicted in **Table 3.9**.

Table 3.9: Persistent savings under Capital (Voted) section

(₹ in crore)

Year	Budget provision including Supplementary Grant	Actual Expenditure	Savings	Percentage
2008-09	426.61	244.30	182.31	43
2009-10	388.91	261.66	127.25	33
2010-11	474.55	273.65	200.90	42
2011-12	527.74	210.23	317.51	60

As in the past three years, persistent savings under the Capital (Voted) section of the grant in the year 2011-12 too were primarily under the head 5201.00.104-“Mechanisation and Modernisation of Postal Services”. Out of the budget allocation of ₹478.61 crore, only ₹178.84 crore could be spent, leaving an unspent amount of ₹299.77 crore. In reply the Department of Posts stated that due care will be taken to maintain the realistic budget provisions.

3.21 Defence Services

Scrutiny of the Appropriation accounts of Defence Services disclosed a persistent trend of savings during the years 2009-10 to 2011-12 under charged/voted segment of six grants as detailed in **Table 3.10**.

Table 3.10: Persistent savings during the years 2009-12

(₹ in crore)

Grant No. Sub Major/Minor Head	2009-10	2010-11	2011-12	Contributory reasons as stated by the Ministry
22 - Defence Services - Army (Major Head 2076)				
109-Inspection Organisation (Charged)	0.31	0.32	0.22	No reasons were furnished.
113-National Cadet corps(charged)	2.19	2.19	2.15	Less finalisation of the court cases than anticipated.
113-National Cadet Corps (Voted)	107.26	234.10	244.63	Non-materialisation of contracted supplies.
800-Other expenditure (Charged)	2.54	6.86	8.90	Less finalisation of the court cases than anticipated.
800-Other expenditure (Voted)	28.35	142.83	246.90	Reduced expenditure under hot weather allowances, non-materialisation of expected claims and Misc. payments.
23-Defence Services – Navy				
111-Works(Charged)	0.06	3.05	2.56	Finalisation of lesser number of court cases than anticipated.
111-Works (Voted)	27.10	2.07	8.92	No explanation was given by Ministry.
24-Defence Services – Air Force				
800-Other Expenditure	49.75	64.47	52.06	Non-utilisation of funds by commands, due to non-fructification of supplies, non-materialisation of certain training activities etc.
25 – Defence Ordnance Factories				
004- Research and Development	7.92	0.05	4.29	Non-receipt of items by Ordnance Development Centres against committed supplies, spill over of payments against rate contract to next year etc.
106-Renewal and Replacement	71.76	117.18	14.75	Non-supply/delay in commissioning of Plant & Machinery.
110 – Stores	94.60	1336.20	246.03	Ministry gave only part explanation due to reduced expenditure, non-materialisation of foreign supplies, local supplies, IT supplies, higher recovery through sale of scrap etc.
111-Works	32.64	25.25	34.07	Non-completion of works, delay in progress of operational work due to inclement weather conditions, minor slippages of works/special repairs, delayed receipt of electricity bills etc.
26-Defence Services-Research and Development (Major Head- 2080)				
105-Transportation	20.46	1.81	12.19	Cumulative effect of marginal savings from labs/work center.
110-Stores	214.50	185.62	140.28	Deferment of contractual payments to foreign vendors, marginal Savings from labs/establishments.

Grant No. Sub Major/Minor Head	2009-10	2010-11	2011-12	Contributory reasons as stated by the Ministry
27 - Capital Outlay on Defence Services (Major Head- 4076)				
01-Army				
103-Other Equipments	1031.70	875.89	3895.78	No explanation was given by Ministry.
105-Military Farms	1.17	1.92	2.17	-do-
113-National Cadet Corps	23.70	25.67	22.35	-do-
02 - Navy				
104 - Joint Staff	135.32	409.59	150.40	Ministry replied that saving was due to withholding of part payment of the clients, non-completion of works, non-materialisation of supply of vehicles, non-fructification of some major schemes, technical slippages, slow progress of work, etc.

The persisting trends of large savings in the aforesaid heads of grants are indicative of over-estimation of the requirement of funds or poor planning for procurement and projects, poor contract management, lack of an internal control system and failure to take effective remedial measures to avoid persistent savings.

3.21.1 Surrender of savings

The savings in a grant or appropriation are required to be surrendered as soon as these are foreseen without waiting till the end of the year. Further, savings should also not be held in reserve for possible future excesses as per Financial Regulations. During 2011-12, under charged segments of one grants of Defence Services where surrenders were made for ₹0.21 crore, there was saving of ₹0.45 crore. Under voted segments of two grants of Defence Services, where surrenders were made for ₹3,344.36 crore, there was saving of ₹1,642.07 crore. Thus, overall ₹3,344.36 crore under two grants in voted segment and ₹0.21 crore under one grant in charged segment were surrendered on the last day of the financial year, which was contrary to the rule as per details appended below in **Table 3.11**.

Table 3.11: Details of savings and surrender

(₹ in crore)

Grant/ Appropriation	Savings/ Excess(+)		Amount Surrendered on Last Date		Amount not Surrendered	
	Charged	Voted	Charged	Voted	Charged	Voted
22-Army	15.70	1341.79	-	-	15.70	1341.79
23-Navy	11.00	277.20	-	-	11.00	277.20
24-Air Force	2.65	(+)567.91	-	-	2.65	-
25-Defence Ordnance Factories	3.21	223.87	-	-	3.21	223.87
26-Research & Development	0.45	338.02	0.21	238.65	0.24	99.37

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27-Capital Outlay on Defence Services	43.09	1304.05	-	3105.71	43.09	-
Total	76.10	3484.93 (+)567.91	0.21	3344.36	75.89	1942.23

In case of Grant No. 27-Capital Outlay on Defence Services, the Ministry of Defence surrendered ₹3,105.71 crore in March 2012 against available final savings of ₹1,304.05 crore in the Capital (Voted) section. This indicates deficient budgetary control mechanism in the Ministry.

3.21.2 Persistent excess expenditure over available provision

An analytical table on the persistent trend of financial budgetary control failure over the last three years in certain grants relating to Defence Services is detailed below:

Table 3.12: Persistent excess expenditure during the years 2009-12

(₹ in crore)

Sl. No.	Description of Grant	Final Excess expenditure during 2009-10	Final Excess expenditure during 2010-11	Final excess expenditure during 2011-12
Major Head-2076				
Grant No. 22 Defence Services –Army				
1.	103-Pay and Allowances and miscellaneous expenses of Auxiliary Forces	17.90	170.03	60.77
2.	104-Pay and Allowances of Civilians	130.90	175.08	26.83
3.	106-Military Farms	4.94	1.08	5.33
Major Head-2077				
Grant No. 23 Defence Services –Navy				
4.	105-Transportation	17.54	31.36	10.77
5.	800-Other Expenditure	33.77	35.09	21.11
Major Head-4076				
Grant No. 27-Capital Outlay on Defence Services				
01-Army				
6.	102-Heavy and Medium Vehicles	90.05	572.77	52.33
7.	103-Other Equipment	185.31	363.44	42.32
02-Navy				
8.	103-Other Equipment	5.58	67.65	130.26
9.	202-Construction Works	1.84	9.35	4.73
10.	204-Naval Fleet	35.00	249.00	965.25

Ministry failed to give appropriate justification as to how the Principal Controller of Defence Accounts/Controller of Defence Accounts had authorized excess expenditure more than the available provisions.

3.21.3 Surrender of funds over and above authorisation at the fag end of the year

In Grant No.27-Capital Outlay on Defence Services, a budget provision of ₹187.26 crore was obtained under minor head 052-Machinery and Equipment below sub major head 04-Ordnance Factories under major head 4076-Capital Outlay on Defence Services. On 31 March 2012 a sum of ₹192.77 crore was surrendered. It is not clear when authorization was only for ₹187.26 crore, how an amount of ₹192.77 crore, ₹5.51 crore more than the budget provision, was surrendered.

Ministry replied (September 2012) that surrender was due to reduction of requirement at revised estimates stage for various projects including recovery of advance of ₹166.34 crore for Nalanda project-payment made for BMCS plant to M/s IMI, sale of plant and machinery ₹10.00 crore, etc. Ministry added (January 2013) that surrender was due to encashment of bank guarantee based on DDP directive due to cancellation of order which was not anticipated while BE was projected.

The reply is not tenable in view of the fact that amount surrendered should not exceed budget provision.